

City of Lincoln
Telecommunications/Cable Television Advisory Board
Meeting Minutes – October 14, 2015

Members Present: Andy Beecham, Steve Eggland, Trent Fellers, Rebecca Henderson, Ed Hoffman, Jim Johnson, Laurie Thomas Lee, Helen Meeks, Art Zygielbaum

Members Absent (excused): Paul Barnett, John Neal

City Staff: Diane Gonzales, Steve Huggenberger, Jamie Wenz, David Young

Charter Communications: Gary Underwood

Time Warner Cable and authorized representatives: Bill Austin, Jared Falk, Tyler Hedrick

Windstream/Kinetic and authorized representatives: Scott Barnett, Brad Hedrick

Other: Nancy Hicks (Lincoln Journal Star)

Call to Order

Meeting was called to order at 4:00 pm by chair Ed Hoffman. Hoffman made note of the copy of the Open Meetings Act at the back of the room. Board members and guests introduced themselves.

Minutes

Minutes from the August 25 board meeting were presented. We held a brief discussion on the style and presentation of future minutes. Hoffman commented that the content of the minutes belongs to the board. Beecham commented that when reviewing minutes he is looking for discussion points and the general flow of the meeting, if we were needing technical details such as bandwidth speed we would go directly to the cable companies instead. After discussion, Eggland moved approval, Beecham seconded; motion passed 8-0 with Fellers abstaining as he had not been a member of the board as of our August meeting date.

Review of Agenda

Agenda was presented; Hoffman asked that we consider swapping of the two items under Item 5 New Business, moving the Charter/TWC franchise transfer request to first and the TWC responses to questions in lieu of Performance Evaluation to second under that item. There being no objection, agenda change was made.

Old Business

Online form for complaints

Gonzolas reported that the committee working on an online form to report complaints is pretty close but we do not have a sample yet to show to the board.

Update on broadband policy recommendation from Fiber subcommittee

Hoffman said that the subcommittee is waiting on input from the Mayor's office. No committee report this month. Lee asked about the timeline. Hoffman said that there is not a firm timeline at this point. When we hear from the Mayor and the Council we will have more information.

New Business

Recommendation to City on Charter/TWC franchise transfer request

Hoffman asked Huggenberger to present what has happened so far. Huggenberger said that the we are on a shortened timeline because the filing which had been made with the City had been misplaced in the Mayor's office for 60 days. We are therefore suggesting a slightly different process than what we had run during the ComCast request. We are giving Charter a chance to come forward at this time to make a presentation.

Gary Underwood from Charter said that there are a number of things to talk about with regard to the transaction. He says this will be the "Best of the Best" of the three partners: Charter, TWC, and Brighthouse. Underwood said that Charter is excited to come into our community. After they go all-digital they are able to provide their services, starting with faster Internet. Starting in 2012 they have improved their Internet speeds and their programming; much of it is free. They have moved some jobs which were formerly based overseas to this country. He said they would not throttle or block broadband; they believe in net neutrality. Underwood said that Brighthouse Networks wants to raise speeds, and make the service available to users. The partners are committing to build out line extensions to the areas and communities that are unreachable. They will offer enhanced spectrum services.

Huggenberger said that the City had sent out questions and responses; questions were worked out with a subcommittee. He has concerns about the responses to items (2) through (5), all of which have the general wording that Charter intends to comply with the "franchise and applicable law". Huggenberger is concerned about whether Charter would provide the services required by franchise

regardless of whether there was an argument about whether the law applied or not. Underwood stated that Charter intends to provide the same service that TWC currently supplies.

Huggenberger had wondered what kind of upgrade would be needed to supply 60 MB service. Underwood did not have a direct answer because the process does not allow them to look at the existing hardware until after the merger. However he suspects that it will be a fairly easy to upgrade.

Huggenberger asked for a comparison of debt leveraging with Charter vs debt leveraging with TWC. Underwood did not have an answer at this time, he said he will have to get back to us with an answer.

David Young said that it appears that Charter is going to take on some debt. He commented that debt is normally resolved either by cutting staff or by raising prices. How does Charter plan to resolve this debt? Underwood stated that the executives plan to borrow the money for the transaction. The percentage would be lower under the new company than TWC is right now. Charter sees the debt ratio as similar to what other companies have.

David Young asked if Charter is willing to commit to no price increase for a specific time period? Underwood said that there are a lot of factors that go into price calculations, but that the debt will not cause a price increase.

Hoffman stated that TWC currently employs a lot of people in the city; he asked if Underwood sees this merger having a negative impact on employment locally. Underwood stated that they don't have any plans to change that; Charter doesn't currently have any presence in this part of Nebraska so he believes that they will need everyone that they can get.

David Young stated that when one looks at doubling the debt, one has to pay it back no matter what the interest is. Underwood stated that the company is confident that cash flow will increase.

David Young stated that the lowest price of Internet service under TWC is currently \$14.95. He believes from the Charter website that this will go away and that the lowest price will go to \$60; asked how this will affect low-income subscribers. He also stated that the current service is available to all subscribers, but under the Brighthouse plan one needs to meet five different criteria. Underwood stated that they would like to make their lowest-cost plan a little more available to subscribers.

Underwood said he does not want to misstate anything. Charter will make some of TWC's options available but he will have to check whether the low-band internet is part of the service.

Young said that the board has to decide whether the transfer will impact our customers. He believes that the available information shows that prices will go up; choices will go down; LMI program is no longer available and/or yet to be determined and/or with criteria. Several consumer groups have come out against the merger. He asked how the board would not see this as a minus for our community. Underwood stated that there are some groups that have come out in favor, such as Netflix. They are providing amazing services for phone and Internet. They plan to build on what TWC has provided here. He appreciates Young's questions; feels like he would like to be able to provide more information but he doesn't have it all at his fingertips right now. Hoffman asked if Underwood can check on the lowest level of service and get an answer to us; Underwood will attempt to get an answer.

Underwood stated that Charter does not charge for modems, so that should be considered. Hoffman asked whether there is a charge for the wireless box. Underwood said that they are looking at a couple of things. There is a charge for the equipment. They have "Spectrum Guide" which works on every box that's out there. Looking at "World Box" which is not wireless but is more flexible. They have an app with 170 channels which can be put on phones or tablets.

Young asked if Charter be willing to agree to Low Income rate and no data cap. Underwood stated that he cannot give a guarantee at this time, he would be glad to get back to us with answers.

Zygielbaum stated that we have little control over price and quality with cable. The consumer organizations that report on cable have found a lack of customer service. However TWC has been a good corporate citizen; they have the STEM initiative Connect a Million Minds. Would Charter be willing to do things like that? Underwood stated that Charter does "Charter Our Community" which looks to improve existing homes.

Zygielbaum said that he is bothered by the debt also; he wonders if we will be able to continue to get the level of service that they have now. They are going all-digital. All of a sudden people will be required to buy boxes; he suspects that there will be a charge. Do we know what the cost would be? Underwood stated that if people have not already gone digital, they will give them a couple of

boxes for a year or so, scaling up if they have a higher level of service. The company will make it as inexpensive as possible during the transition.

Zygielbaum commented that cost is one thing that the Board and the City will hear about from people. Underwood stated that cost is one thing but value is another; generally people are more satisfied because they have more services.

Zygielbaum asked if there is a provision for low income people. Underwood stated that Charter has looked at low-income households as part of their footprint. If you are an analog customer only and if you have the very lowest service we are committing to two boxes free for two years.

Zygielbaum stated that one of his major concerns is reliability. There are two levels: one is residential phone service and one is business. He wants to make sure that phones are not out for more than 24 hours. He wants to know how many redundant paths there are so that we can see service stay maintained. Underwood stated that he cannot directly answer; he thinks that this would be a TWC question. However they build their service with redundancy for a couple of reasons: one is for customers but the other is for competitive business. He believes that Charter will be able to keep the service reliable

Lee asked what other vertical integration does Charter and Brighthouse enjoy. Underwood said none at this time. Comcast had programming assets but Charter does not. They do a tremendous amount of backhaul fiber for cellular towers.

Young said that entry level triple play service will cause 100% increase for those who are on the very lowest tier. Hoffman said that for low-income people the bottom line is the pricing. We would like to get assurance that the pricing package which we see now which would include that minimal Entry Level Triple Play is available. Underwood stated that we need to be careful; he said that Young is talking about entry level with 15 MB and Charter has entry level 60 MB.

Hoffman said that with regard to Items (8) and (9) regarding whether Charter is intending to sell cable systems, could Charter give us assurance that Charter will not sell? Underwood stated that their answer stands as described in the document.

Huggenberger said that thinking about the process going forward, we have a pledge from Mr. Underwood to provide answers as quickly as we can. We could make our approval contingent on those answers. Huggenberger is feeling a little bit nervous about getting a recommendation until some of the conditions are answered. Young said that if we could get Charter to agree to a 120 day extension we could get it done that way. Or we could deny it and see what happened.

Huggenberger stated that this item will have to be decided by the City Council no later than their October 26 meeting; he will need to get it on the October 19 agenda but could put in a substitute resolution for now, however the board will need to have final wording by next week in order to have the October 26 deadline. Fellers said that a substitute resolution is not a problem; the Council sees substitute resolutions all the time.

Huggenberger stated that we could put a preliminary substitute resolution out for now and then Hoffman could call a special meeting of the Telecommunications/Cable Television Advisory Board for sometime next week (10/19 through 10/23, preferably early in the week).

Underwood stated that the cable franchise doesn't speak to any tiers. Worries about us looking at it apples to apples. Their goal is to add value. However he will try to get us an answer on the low-income question; he thinks that he could get us something by tomorrow morning.

Underwood commented that they are transferring a cable franchise but everything that we've talked about doesn't affect the cable TV franchise. He would like to see a resolution that only affects Cable TV service. Young said that negative impact to the community is a criteria. Austin said that it is the financial, legal, and technical ability of the company to provide the service which is what we need to use to make our decision. We are looking at a 394 transfer request to transfer a cable television franchise. In terms of pricing levels, broadband caps, net neutrality, and other items like that are not relevant. Huggenberger stated that he believes that we can consider other matters. Austin stated that if the City votes to stop a transfer because of the LMI then he doesn't believe that it's relevant. Huggenberger disagreed.

Underwood stated that he would like to see if we can move this forward. Huggenberger stated that we have had lots of questions on the debt issues. Austin thinks that it's concerning that we may see a negative vote based on things outside of the franchise. Hoffman asked Huggenberger for clarification that Huggenberger believes that these items could be considered; Huggenberger said yes, he believes they can. Austin stated that there are other things that can occur regarding a debt load. Efficiencies, expansion of base, and other things. Thinks it's too simplistic to say that you either raise rates or fire employees.

Hoffman asked that we consider other agenda items and then return later in the meeting to the discussion of what to do with this item in terms of a resolution and a possible special meeting of the board.

TWC responses to questions in lieu of Performance Evaluation

Huggenberger reported that the subcommittee decided to just address issues on which we had asked about at the last Performance Evaluation. Disagreements between TWC and the City were mostly in the areas of complaint reporting and PEG requirements. Falk stated that he thinks the online complaint form which the City is working on will go a long way to understanding the complaint process. He said that TWC will be happy to work with the City on this.

Hoffman stated that he would like to see us pass this year on a performance evaluation. There was general consensus.

Time Warner Cable report

Tyler Hedrick distributed paper copies of the LCC TV/Public Access report.

Falk reported that TWC is starting a “Tech Tracker” service where people will be able to track their service techs when expecting a service call. This will be available in mid-November. TWC is also starting a “Phone Unlimited” campaign, offering international phone calls at one low price.

Windstream/Kinetic report

Brad Hedrick said that the Kinetic service is seeing a strong demand; he’s happy with where they’re at. Hoffman asked how is the rollout. Hedrick said that they’re on ring-protected fiber cables so they are very reliable. They need to add additional broadband hubs. They are working on a backbone network which will connect Lincoln to many other cities. Kinetic has opened a second market, in Lexington KY.

Huggenberger asked if they can tell us anything specific with respect to the number of subscribers; Hedrick said not at this time. Young asked how many Lincoln households would be able to access the 12 MB or higher service if they chose to do so. Hedrick said about 50,000 households; if one went 6MB or higher then about 70,000.

Continuation of discussion of Franchise Transfer Request

Huggenberger stated that the board can vote to approve unconditionally, approve with conditions or deny with an explanation of denial. Zygielbaum moved that we ask Steve Huggenberger to put in a preliminary Council resolution to approve with conditions, using the same conditions as with the ComCast request but adding wording to address concerns about the debt limit and low-income subscribers, and that we schedule a special meeting of the Telecommunications/Cable Television Advisory Board for Wednesday, October 21, 4:00 p.m., to consider final wording. Eggland seconded. Motion passed 9-0.

City Report:

Wenz distributed copies of the Government and Education Access report. Numbers are similar to last time except smaller since there was a shorter time period this time around. The educational access channel is televising Wesleyan sports events. The Mayor has signed off on an equipment upgrade; we hope to have the new equipment working by February. Among other things, the equipment will make live streaming accessible to people with iPhones; the streaming service is not currently available for the iPhone users. Wenz is talking to John Neal about the possibility of expanding coverage of local high school games.

Gonzolas reported that the latest public survey showed an increase in viewership of Channel 10 programs; the other government and educational access channels didn’t show an increase. However she thinks that future surveys might be expanded to include an option for people who watch the programs in other modes, i.e. on the 5CityTV website.

Public Comments

None

Adjournment

Meeting adjourned at 6:20 p.m.

Respectfully submitted,
Jim Johnson, secretary